United States
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October 1983

Foreign Agriculture

American Horticultural Exports— How They Stack Up

Marketing News

Task Force Adopts Pork Export Plan

The **U.S. Meat Export Federation's (MEF)** Pork Export Task Force recently adopted a seven-point strategy for increasing export sales of value-added U.S. pork products. The plan calls for: greater government and industry cooperation in plant and product inspection procedures and trade policy negotiations; better collection and dissemination of market intelligence information; identification of trade barriers on a country-to-country basis; effective market promotion; more concentration on exports within the U.S. pork industry; securing credit for foreign buyers; and establishment of competitive shipping rates.

The MEF task force identified several major impediments to increasing U.S. pork trade. They include: the strength of the U.S. dollar, inadequate market intelligence, non-tariff trade barriers, credit problems, foreign competition (especially from Denmark, Taiwan and Canada), freight rate inequities and lack of export awareness within the industry.

However, the U.S. pork industry does have several factors working to its advantage: efficient, high-volume, high-quality production; industry flexibility in responding to market demands; good shipping facilities; and the potential for developing new products tailored to the export market. For further information on the task force, contact Nancy McCarthy, MEF/Denver, Tel. (303) 399-7151.

Chinese Fast Food Team Visit May Spur Increased Wheat Sales

The **U.S. Wheat Associates' (USW)** recently sponsored Chinese fast food team may result in larger exports of U.S. wheat as demand is created in another outlet for U.S. wheat-based foods. The six-person team of Chinese government and factory managers visited the United States and observed production, operation and management of fast food operations and school lunch programs. Zhou Ping, director of the First Light Industry Bureau of Beijing, headed the team.

The team toured McDonald's, Beatrice Foods, Universal Foods, Southland Industries and W.R. Grace companies and had extensive exposure to all aspects of the U.S. fast food industry. The Northern Crops Institute demonstrated the importance of using the correct wheat flour to produce a desired end product. The group also observed a school lunch program in Virginia.

The Chinese government has placed a high priority on developing an efficient and low-cost system for producing convenience foods, not only for factory workers, but also for fast food retail sales. Wheat production in China has increased in recent years, totaling 68.4 million metric tons in 1982/83. But imports also have grown—to nearly 13 million tons last year. China is the largest U.S. market for wheat, importing 8.7 and 8.0 million tons in 1980/81 and 1981/82, respectively. Although U.S. wheat shipments to China declined to 5.4 million tons in 1982/83, resolution of the U.S.-China textile agreement is expected to improve the climate for increased wheat shipments.

Japanese Survey U.S. Agriculture, Farm Organizations

In an effort to stem opposition in some influential Japanese quarters to increasing imports of U.S. agricultural products, the **U.S. Feed Grains Council (USFGC)** recently invited 15 of Japan's key agricultural opinion leaders to observe U.S. agriculture and meet with farmers and farm organizations.

Although Japan is a top market for U.S. corn and sorghum, the U.S. share of the Japanese market has slipped from 83 percent to 76 percent in just a few years. One reason for the drop, said USFGC, may be recurrent Japanese press reports that U.S. productivity is threatened by disappearing soil and water resources, inefficient use of energy, limited internal transportation capacity and increased concentration of U.S. production into large corporate farms. As a result, some Japanese contend the United States is not capable of being a reliable supplier.

The Council's objective was to give the Japanese an unbiased look at the potential of U.S. agriculture. A Council spokesman said "the Japanese need to see for themselves that U.S. agriculture is strong and planning to continue to be the world's chief supplier of agricultural products."

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American Horticultural Exports: How They Stack Up

Florida Department of Citrus

Campbell's

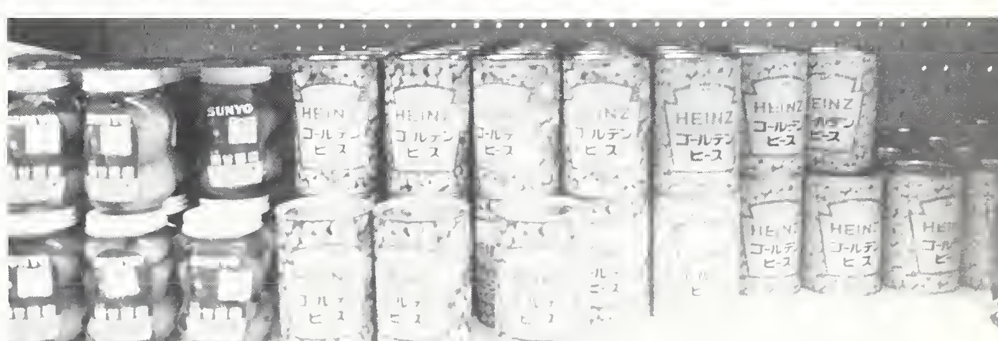
By Gilbert E. Sindelar

For U.S. horticultural products, fiscal 1983's final export tally now points to $2.65 million, marking the second straight year of decline. However, prospects for fiscal 1984 call for a modest recovery to around $2.8 billion in export earnings.

More subdued competitive conditions stemming from shorter crops among other producers— especially in Western Europe—should spark the recovery for U.S. exporters of horticultural products.

Looking beyond 1984, further U.S. export growth most likely will continue to hinge on the position of the U.S. dollar in world markets. Should the dollar remain strong, export recovery could be very stubborn.

Black Star



Other factors that will help shape the direction of U.S. trade include the rate of recovery from the worldwide recession and progress toward dismantling trade barriers abroad, particularly those of Japan and the European Community (EC). (See related articles on pages 20 and 21.)

The following is a brief look at some trade opportunities and market conditions in some major regions of the world.

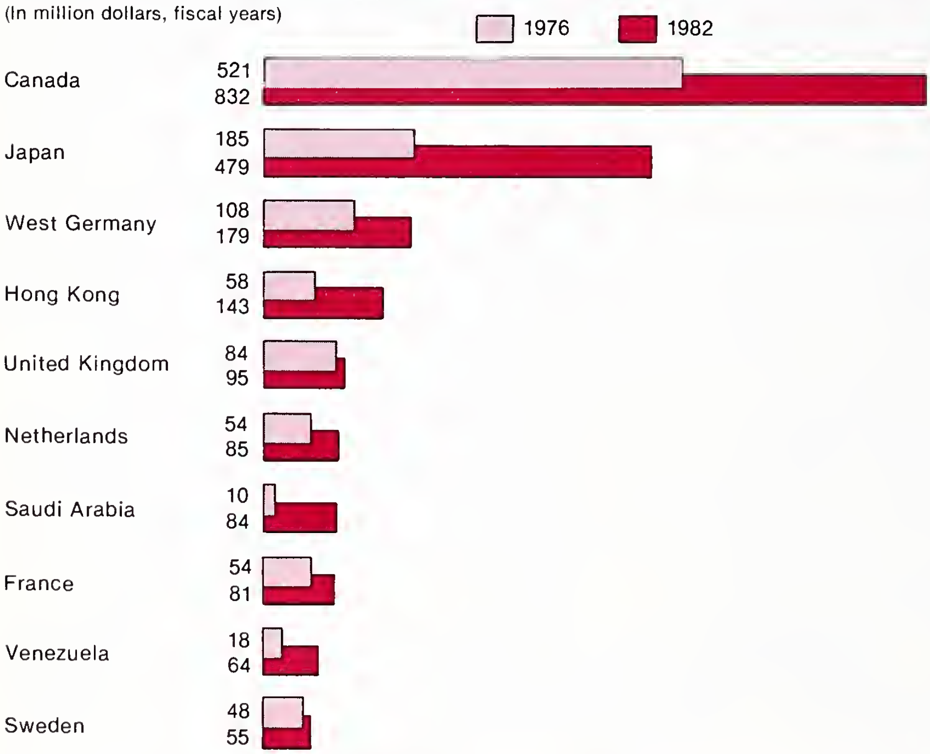
The Far East Markets. The Far East has become a major export target area for U.S. exporters of horticultural products. Initially, Japan was the focal point. Although import barriers still remain, U.S. export earnings in this market rose almost tenfold during the last decade.

Taiwan. Another market that has shown great promise is Taiwan. Through the efforts of the U.S. government, the Congress and the Pacific Northwest apple industry, Taiwan liberalized imports of fresh apples in 1979.

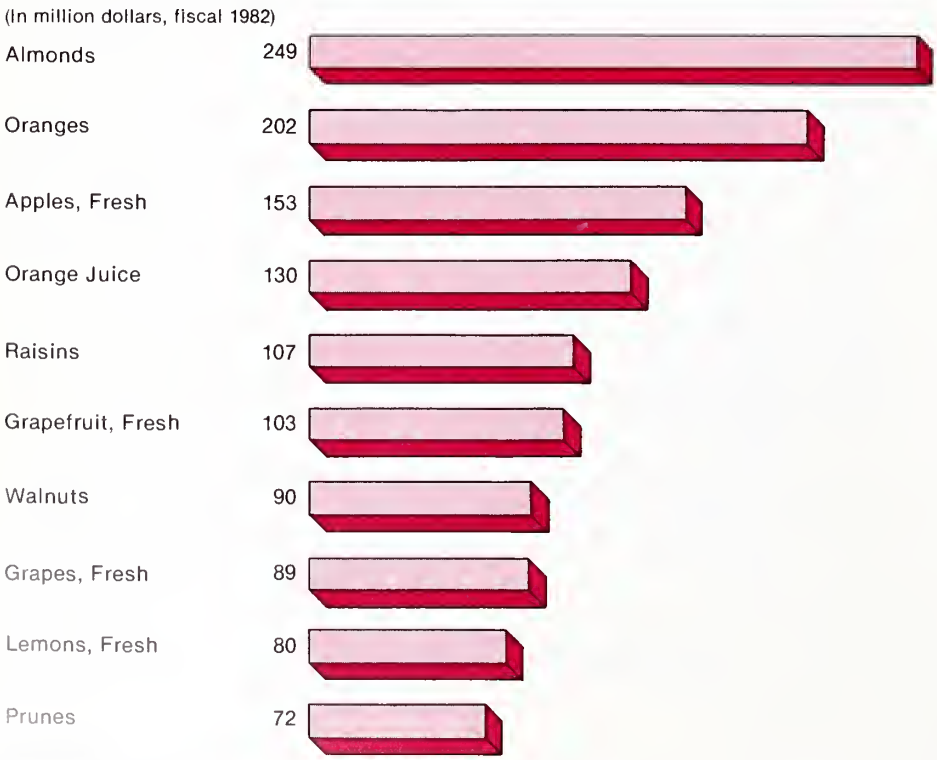
The first full season of liberalization produced an astonishing 3.4 million cartons in U.S. exports, compared with only 162,000 cartons the season earlier. The next year, U.S. apple exports to Taiwan reached a new high of slightly less than 4 million cartons.

As a result of this growth, Taiwan has now replaced Canada as the No. 1 export market for U.S. apples. Taiwan is beginning to show a good potential for

Canada Is Leading Market for U.S. Horticultural Exports



Almonds Are Top U.S. Horticultural Export



a number of other U.S. horticultural products. Among these are fruit juices and canned corn.

Hong Kong. U.S. horticultural exporters also established a good track record in Hong Kong, which has become the leading offshore market for U.S. fresh oranges, ranking second only to Canada.

Hong Kong is the second or third largest market for a host of other U.S. commodities, including fresh apples, grapes, plums, celery and lettuce. It also developed into an important market for California melons.

Several other Far East countries have demonstrated a potential for U.S. horticultural products. These include Singapore, Malaysia and Thailand.

Latin America. After displaying a growing potential for U.S. horticultural products during the 1970s, many countries in this region have been beset by economic difficulties the past few years. As a result, U.S. horticultural sales in these markets have slipped. However, as economic conditions improve, U.S. export opportunities are expected to open up again.

U.S. exports of fresh vegetables have developed well in the heavily traveled tourist spots of the Caribbean. In Central America as well as in the Caribbean, fresh fruits, such as apples, grapes and peaches appeared to be the dominant interest of importers while Colombia showed a strong growth for fresh fruits, some canned goods and California table wine.

The Middle East. Penetration of the oil-rich countries of the Arabian Peninsula did not begin in earnest until about 1977/78 when the U.S. apple industry made a sizable shipment to Saudi Arabia. In just two years, that country became the fifth largest export market for U.S. horticulture. ■

The author is director of the Horticultural and Tropical Products Division, FAS. Tel. (202) 447-6590.

Fact File

Cooperator Programs for U.S. Horticultural Products

The Foreign Agricultural Service (FAS) has agreements with 11 non-profit U.S. agricultural trade organizations—known as cooperators—to promote exports of horticultural products. These groups are:

California Avocado Commission	The Commission became a cooperator in 1977 to develop the export market for avocados. Initial efforts were concentrated in Japan to expand acceptance of avocados from a specialty item to one of general usage. Market promotion activities have also been conducted in several European countries. Address: 17620 Fitch, 2nd Floor, Irvine, California 92714. Tel. (714) 540-8180.
California Cling Peach Advisory Board	The Board entered into a promotional agreement with FAS in 1964 to increase exports of canned cling peaches and fruit cocktail. Efforts originally were centered in Western Europe, but as markets were opened in Japan and other Asian countries, promotional activities were increased in both the retail and institutional sectors. Recently, markets in the Middle East were added to the total of more than 20 countries where these products are being promoted by the Board. Address: P.O. Box 7111, San Francisco, California 94120. Tel. (415) 541-0100.
California Raisin Advisory Board	The Board entered into a cooperator agreement in 1961 to promote California raisins. Activities to increase consumption at both the retail and institutional level have spread to more than 20 countries in Europe, the Far East, the Middle East and Oceania. Address: P.O. Box 5335, Fresno, California 93755. Tel. (209) 224-7010.
California Table Grape Commission	The Commission's current agreement to promote California deciduous fruit has been in effect since 1979. Table grapes are the only item actively promoted under this program. Media and point-of-sale campaigns are being conducted in almost 20 countries. Address: P.O. Box 5498, Fresno, California 93755. Tel. (209) 224-4997.
Florida Department of Citrus	The Department has been operating the longest under the cooperator program, entering into an agreement with FAS in 1960 to promote Florida fresh and processed citrus. Over the years the emphasis has been shifting to the promotion of fresh grapefruit in Europe and in Japan, Florida's largest export market. Address: 1115 East Memorial Boulevard, P.O. Box 148, Lakeland, Florida 33802. Tel. (813) 682-0171.
Florida Nurserymen and Growers Association	The Association entered into a cooperator agreement with FAS in 1981 to develop markets for tropical ornamental foliage plants. Following a market survey in key European countries and participation in a major exhibition, the Association is now preparing material to make European traders aware of the availability and uses of these plants. Address: P.O. Box 16796, Temple Terrace, Florida 33687. Tel. (813) 985-8511.
National Potato Promotion Board	The Board, a cooperator since 1974, has been working to develop markets for both fresh and processed potatoes. Currently, the primary goal is to continue the expansion of frozen potato sales at both the retail and institutional level in Japan, and to develop markets for seed potatoes in South America. Investigation of the market potential in other Far Eastern countries is also underway. Address: 1385 South Colorado Boulevard, Denver, Colorado 80222. Tel. (303) 758-7783.

North American Blueberry Council

The Council entered into a cooperator agreement in 1977 covering blueberries and products. Market surveys and technical teams identified several countries in Europe and the Far East where potential for canned and frozen blueberries was especially good. The next step was participation in trade shows, recipe development and consumer education to increase the awareness of the U.S. product. Address: P.O. Box 166, Marmora, New Jersey 08223. Tel. (609) 399-1559.

Northwest Horticultural Council

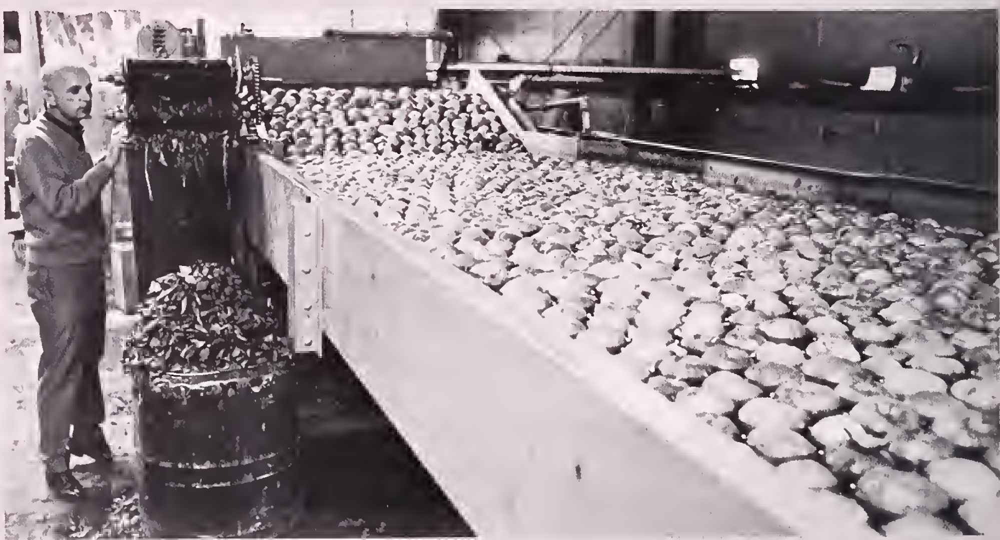
The Council's current cooperator agreement has been in effect since 1963, and covers three commodity groups—apples, pears and cherries. Market development activities for apples and pears center on trade servicing and consumer education in northern Europe, the Middle East, and several Asian countries, including Taiwan, the No. 1 export market for apples. Cherry promotion has been concentrated in Japan, where imports from the United States were recently liberalized. Address: P.O. Box 570, Yakima, Washington 98907. Tel. (509) 453-3193.

Papaya Administrative Committee

The Committee started as a cooperator in 1978 to promote papayas. Access to the large Japanese market had been recently achieved and this market has been targeted for promotional activities at both the retail and institutional level. Address: First Insurance Building, 1100 Ward Avenue, Honolulu, Hawaii 96814. Tel. (808) 533-3841.

Western Growers Association

The Association is the newest FAS cooperator, having entered into an agreement in 1982 to develop foreign markets for U.S. fresh produce. Efforts have consisted of sending a trade team to the Far East to assess market potential and needs, planning fresh produce exhibits overseas, and preparing a program to disseminate marketing information. Address: P.O. Box 2130, Newport Beach, California 92663. Tel. (714) 641-5000.—*Prepared by Robert B. Tisch, marketing specialist, Horticultural and Tropical Products Division, FAS. Tel. (202) 447-6085.*



U.S. Fresh Produce Sells Best Close to Home

By M. Kathryn Ting

Not surprisingly, the United States' best export markets for fresh produce are its neighboring countries. Nearly one-half of all U.S. exports of fresh fruits and vegetables are destined for Canada, the Caribbean, Mexico and Central America. In fiscal 1982 these exports amounted to 1.2 million metric tons valued at $555 million.

The United States maintains a favorable balance of trade in fresh produce with Canada—our largest foreign horticultural market. Trade is nearly even between the United States and the Caribbean. And strong import demand for vegetables from Mexico and bananas from Central America tilts the trade balance in the other direction for these areas.

Canada. Our four-star client to the north bought $508 million worth of fresh produce from the United States in fiscal 1982. In terms of value, projections for 1983 have exports holding near the same level.

Last year's fresh produce trade with Canada represented a lion's share, accounting for 45 percent of U.S. exports for these commodities.

In contrast, U.S. imports of Canadian fruits and vegetables were valued at $93 million in 1982. Potatoes were the leading item followed by apples, carrots and berries.

Canada's imports of fruits and vegetables are filled largely by the United States, which provides 90 percent or more of Canada's import needs.

Due to climatic limitations, Canada imports 56 percent of its fresh fruits. Oranges, grapes, apples, grapefruit and peaches lead U.S. fruit exports to Canada. Grapes are the highest valued item, with 40 to 50 percent of the shipments destined for Canadian wineries.

Naturally, the marketing periods for many U.S. and Canadian fresh produce commodities coincide. As a result, U.S. exports are generally subject to seasonal tariffs. However, some commodities, including apples, blueberries, cranberries, grapes *Vitis vinifera*, citrus, cantaloupes and other melons enter duty free.

Lettuce, tomatoes, potatoes, celery and onions comprise two-thirds of the U.S. vegetable exports to Canada. The Canadians are particularly dependent on U.S. shipments from November through May, the off months of their growing season.

May through August is the peak period for U.S. potato exports to Canada. Most of these shipments originate in California, Idaho and Washington and enter Canada's western provinces.

Upsetting the Cart

Potatoes have been the subject of debate since 1980 when the balance in U.S.-Canadian potato trade shifted in favor of the Canadians. An estimated 84 percent of Canadian imports are marketed in the northeastern United States. The Commerce Department is investigating an anti-dumping charge against Canadian imports filed by the Maine Potato Council.

Another interesting market development centers on onions. Onion exports to Canada through July of fiscal 1983 were down 17 percent by volume over the same period last year. To some degree, the drop was caused by the surtaxes imposed on fresh yellow onions imported into western Canada between October 1982 and March 1983.

The main influence on the U.S.-Canadian trade picture, however, remains the general economic situation. The devaluation of the Canadian dollar relative to the U.S. dollar over the last few years has slowed the growth of U.S. exports of some commodities. Additionally, lowered tolerances for pesticide residues, including Captan, have had a negative impact on exports of some non-citrus fruits.

Mexico. U.S. imports of winter vegetables from Mexico dominate U.S.-Mexican fresh produce trade. Winter vegetables accounted for nearly one-third of U.S. imports from the region. Tomatoes, cucumbers, peppers, squash, eggplant and beans are the major items. Shipments run from November through May, usually peaking in late February-early March.

Florida is the only major U.S. producer during this period. In fiscal 1982, Florida supplied 58 percent of the domestic winter tomato needs while Mexico provided 29 percent. Other major import commodities include melons, grapes, mangoes, onions, watermelons, asparagus and garlic.

Following three devaluations of the peso in 1982, U.S. exports to Mexico in fiscal 1982 fell 33 percent from 1981 levels. Apples, potatoes, pears, avocados, onions, peaches and grapes were the major commodities shipped. Most of these fruits and vegetables are marketed in cities along the U.S. border.

Caribbean Basin. Excluding plaintains and bananas, fresh produce trade with the Caribbean Islands and Central America represents a small fraction of total U.S. fresh produce trade in the North American region. Bananas and other tropical fruits, such as mangoes, pineapples and plantains, comprise the major fruit imports. Vegetables—particularly roots and tubers, such as dasheens, yams and sweet potatoes—comprise one-half of fresh produce imports from the Caribbean.

It's important to remember that many U.S. commodities on the Caribbean market are imported to meet the needs of the tourist trade rather than local demand.

The most potentially significant factor affecting this market is the Caribbean Basin Economic Recovery Act. The Act, recently signed by President Reagan, creates free one-way trade for all Caribbean Basin goods. However, the impact on levels of U.S. horticultural imports from the region should be minimal since many of the commodities from these countries have already been granted duty-free entry under the Generalized System of Preferences.

Additionally, the Act provides domestic producers with a fast-track relief system to protect against market disruption due to increased imports of perishable commodities from the Basin area. Under this system, producers could petition the U.S. Secretary of Agriculture for rapid emergency action to reimpose duties. ■

U.S. Fresh Produce Imports Led Exports in 1982

(In thousand dollars)

	Canada	Mexico	Central America and the Caribbean
U.S. Exports			
Citrus fruits	98,028	348	1,577
Non-citrus fruits	170,129	7,765	15,847
Vegetables	239,854	7,031	14,783
Total	**507,916**	**15,143**	**32,207**
U.S. Imports			
Citrus fruits	51	9,343	444
Non-citrus fruits	36,845	89,414	375,885
Bananas & plantains	27	2,400	363,736
Vegetables	55,736	375,374	17,010
Total	**92,632**	**474,131**	**393,339**

The author is with the Horticultural and Tropical Products Division, FAS. Tel. (202) 447-2083.

High-Spirited Promotions Aid U.S. Wine Sales Abroad

By Rex Dull and Lisa Twedt

Although exports of U.S. wine are small—only 2 percent of domestic output—efforts to boost sales overseas are, as they say in the business, "robust and full-bodied."

U.S. wine exports in 1982 were $38 million, down slightly from 1981 shipments of $42 million, largely reflecting smaller sales to Canada. Also, a slow domestic economy and the global economic recession have bottled up the expansionary trend in overall U.S. wine sales.

Canada is by far the largest export market for U.S. wines, accounting for half of the total, followed by the United Kingdom with a 13-percent share. Other important markets are Colombia, Japan, the Bahamas, West Germany, Netherlands Antilles and Belgium. In these and other markets, California wines are gaining acceptance and are gradually meeting the competition from long-established European wines.

Marketing: A Cooperative Effort

As part of market development efforts, the Foreign Agricultural Service (FAS) and the Wine Institute work together to conduct wine tastings and shows in many countries where a potential market exists.

For example, in November, Japan will host two-day shows in Tokyo and Osaka. Japan has 23 importers of U.S. wines which represent about 50 U.S. wineries. It is expected that these shows will be open to new-to-market wines from California, Oregon, Washington and other states willing to participate. To help coordinate these types of shows, the U.S. agricultural counselor in each country arranges for a location to hold the tasting and then sends invitations to local trade-oriented representatives. These representatives include hotel and restaurant food buyers, liquor control board officers, government officials and the local media.

The Wine Institute invites U.S. wineries to participate in the events, sorts the wines when they arrive and arranges for the printing of a program for each event. Wines are donated for these tastings by individual wineries interested in promoting their products. Winery representatives pour the wine so guests may obtain knowledgeable information about their products.

Committee Formed To Aid Trade

Another move to improve U.S. export opportunities has been the formation of The Interagency Committee on Wine. Organized through the Bureau of Alcohol, Tobacco and Firearms (BATF),

California Turns Out 90 Percent of U.S. Wine, Making It the Sixth Largest Wine Producer in the World

the committee works to aid growers and vintners. The group includes representatives from BATF, FAS, the Office of the U.S. Trade Representative, the Department of Commerce and U.S. Customs.

The committee helps resolve problems relating to uniform international labeling standards and differences in wine-making practices. These tasks are important because of differences in export regulations of the United States and the European Community (EC).

U.S.-EC Wine Trade Accord Signed

Recently, the United States and the EC signed an agreement to further open wine trade. Under the agreement, the EC has said it is willing to accept many U.S. wine-making practices and thus accept more imports of U.S. wine. As a result of the agreement, long-term prospects for U.S. wine exports to EC countries will improve.

Canada Retains Wide Lead as Top Customer for U.S. Wines
(In 1,000 gallons)

Top Markets	1978	1979	1980	1981	1982	% Change 1981-82
Canada	991.4	3,106.2	4,612.8	5,547.5	4,476.8	-19.3
U.K.	34.0	82.3	531.0	1,107.0	1,178.0	6.4
Colombia	47.4	77.4	51.7	402.0	290.0	-27.9
Japan	151.0	136.4	207.3	244.0	278.2	14.3
Bahamas	230.0	384.0	340.0	269.4	251.0	-6.9
Total U.S. Exports	**2,485**	**5,164.3**	**7,869**	**10,583**	**9,102.4**	**-14**

Some Cocktail Conversation About Wine

The French drink more wine than anyone in the world. Average per capita consumption in 1981 was 23.78 gallons, compared to the United States which ranked 28th with only 2.11.

Last year, per capita wine sales in the District of Columbia were 6.78 gallons, higher than in any of the 50 states. Nevada was second with 4.77 gallons, followed by California (4.45), New Hampshire (3.61), Rhode Island (3.51) and New Jersey (3.28).

Of all the California grape table wine sold in the United States in 1975, about 39 percent was red wine, 34 percent was white wine and 27 percent was rose. But by 1982, the balance had shifted considerably in favor of white wine, 64 percent; rose, 21 percent and red wine, 15 percent.

Americans prefer wine over distilled spirits by a comparatively small percentage, but favor beer over wine by more than an 11-1 margin, based on 1981 figures.

Ordinarily, EC regulations prohibit any wine labeling terminology and production practices unless specifically permitted. U.S. regulations permit all wine labeling terminology and production practices unless specifically prohibited.

FAS officials in Washington and attaches overseas in key European countries have played a critical supporting role in BATF's government-wide effort to improve wine trade procedures.

U.S. Is Major Wine Importer

The United States also continues to be a growing market for foreign wines. Both total and per capita consumption are growing steadily. However, only 7 percent of the U.S. population consumes two-thirds of all wine sold in the United States. This suggests that there is an excellent potential to expand domestic consumption.

Foreign wine sales in the United States have increased dramatically in recent years. Wine imports into this country were up about 8 percent in 1982. U.S. imports of foreign grape wine of less than 14-percent alcohol content (the type that makes up more than four-fifths of the U.S. wine market) in 1982 were a record 397 million liters valued at $532 million. This was nearly double 1977 imports of 210 million liters valued at $290 million. Imports for 1983 are forecast to be even higher.

Wine Production Is Large On Both Sides of Atlantic

Part of the reason for this expected increase is the fact that European producers are facing large crushes and waning consumption. As a result, they are utilizing export markets as an outlet for surpluses.

The U.S. wine industry is under increasing pressure from its own record domestic crushes and is greatly concerned about rising imports. These imports have now captured nearly a quarter of the domestic market. A strong dollar has worsened the situation by making imported wines less expensive to consumers, while making exports more costly to foreign buyers.

Italy is the largest foreign supplier to the U.S. market and has accounted for much of the rise in imports. Imports of Italian grape wines under 14-percent alcohol content increased from 36 million liters in 1974 to 239 million liters valued at $239 million in 1982. Other large suppliers to the United States are France, West Germany and Portugal. ■

The authors are with the Horticultural and Tropical Products Division, FAS. Tel. (202) 447-5690.

World Almond Market: Tougher Nut to Crack

By Kathleen Moore

U.S. almond exporters will continue to face tough competition in coming years if projected increases in U.S. and world almond production are reached.

The United States produces about 60 percent of the world's almonds and exports have doubled over the past 10 years to over 80,000 metric tons valued at $264 million.

Even greater output is projected in the United States over the next several years as nearly 33,000 hectares of new almond trees reach bearing age.

Production increases from new plantings are also forecast for Spain, the world's second largest almond producer, Turkey and Morocco. Italy, on the other hand, has been less competitive in the world almond market in recent years because of production declines.

The anticipated production increases will continue to put pressure on world almond prices and will heighten competition for markets.

Over the last four years, the large production around the world and large carryover stocks have resulted in a substantial drop in almond prices. Earnings from U.S. almond exports peaked in the 1979/80 crop year and the average unit value for U.S. almond exports dropped from $1.93 per pound that year to $1.25 per pound during the past July-June crop year.

The United States is the world's top almond exporter—accounting for close to three-fourths of world almond exports.

California Almond Growers Exchange photos

U.S. Almond Industry Depends on Exports

During the past four marketing years an average of 62 percent of the U.S. almond crop was exported.

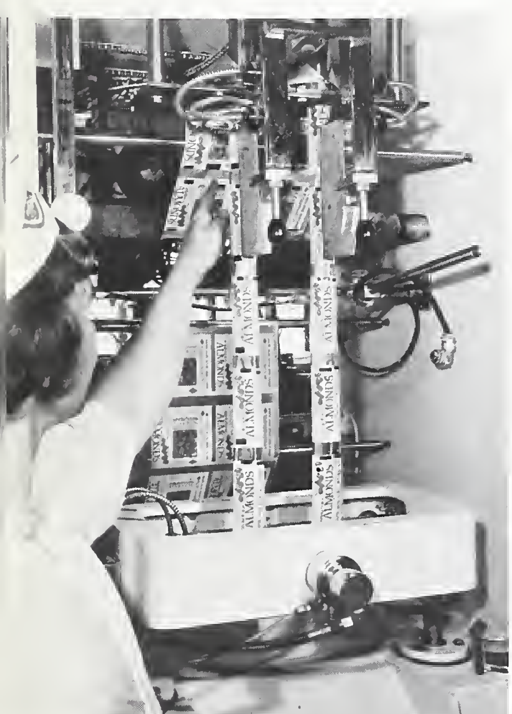
Almond exports totaled nearly $248.7 million in fiscal 1982, making them the top U.S. horticultural export. In fiscal 1982, almonds represented 9 percent of U.S. horticultural exports, down from 12 percent in 1981, when earnings were nearly $354.8 million.

Almond exports fall into three categories: inshell, shelled, and prepared and preserved.

Shelled Almonds Lead Exports

Over the past 10 years, U.S. shelled almond exports (the leading almond export category) have doubled to 72,784 metric tons, representing sales of $155 million.

The European Community (EC) received over half of that and West Germany was the largest single purchaser. The United Kingdom, France and the Netherlands were other prominent EC markets.



Japan was the second largest individual market, buying 12 percent of U.S. shelled almond exports.

Exports to non-EC Western European countries totaled 11 percent—most going to Norway, Sweden and Switzerland.

During the past 10 years the major markets for shelled almonds have remained the same. But in recent years, U.S. exporters have established new footholds in markets in the Middle East, the Far East, South America and Africa.

Inshell Exports Low

Inshell almonds make up only 2-3 percent of U.S. almond exports. Inshell exports rose from 1,023 tons in the 1971/72 season to 4,916 tons worth $8.7 million in the 1981/82 season.

However, last year's increase does not indicate a rising export trend. It reflects an Indian ban on imports of shelled almonds which raised Indian imports of the inshell product.

Processed Almond Exports Rising

The prepared and preserved almond category includes primarily blanched and diced almonds. Further processing is generally done in the importing country.

The revenue from prepared and preserved almond exports has risen steadily since this category was created in 1977. Export earnings during the 1977/78 season totaled $17.1 million, 10 percent of almond exports.

By the 1981/82 marketing year, earnings had jumped to $57.2 million, 22 percent of total almond export revenue.

EC Major Market For U.S. Almonds

Historically, the EC has been the major foreign buyer of U.S. almonds. Further U.S. market expansion there appears to be limited given the already high per capita almond consumption and the impending accession of Spain to the Community. Spain is the strongest U.S. competitor in the almond export market, and the EC is the top Spanish market.

EC membership would afford significant competitive advantage to Spanish almond producers by allowing duty-free entry to the Community countries. Almonds from non-EC origins are subject to a 7-percent import duty. In addition, Spain would be in a position to lobby for additional EC support measures.

Japan Shows Market Potential

For these reasons, market expansion activities are being targeted to non-EC countries.

The Foreign Agricultural Service is working with industry groups under its cooperator program to increase the acceptance of U.S. almonds and almond products in foreign markets.

Cooperative government-industry market development activities are now concentrated in Japan, a market with tremendous growth potential.

Almonds have been prominently displayed in Japan at trade fairs, conventions and other special exhibitions. The nut has been introduced in Japanese cooking schools and its versatility demonstrated in a variety of recipes.

A breakthrough for almonds as a snack occurred when the U.S. almond industry arranged for a major U.S. soft drink company to distribute almonds with its beverages in thousands of Japanese retail stores.

In addition, innovative products such as almond soap, almond sausages, almond noodles and almond cream have been marketed in Japan.

Through these efforts, Japanese purchases of U.S. almonds have jumped from $7.3 million to $32.4 million over the past 10 years.

Some Success in Reducing Trade Restrictions

A number of unfair trade barriers must be eliminated in order to expand export markets for U.S. almonds.

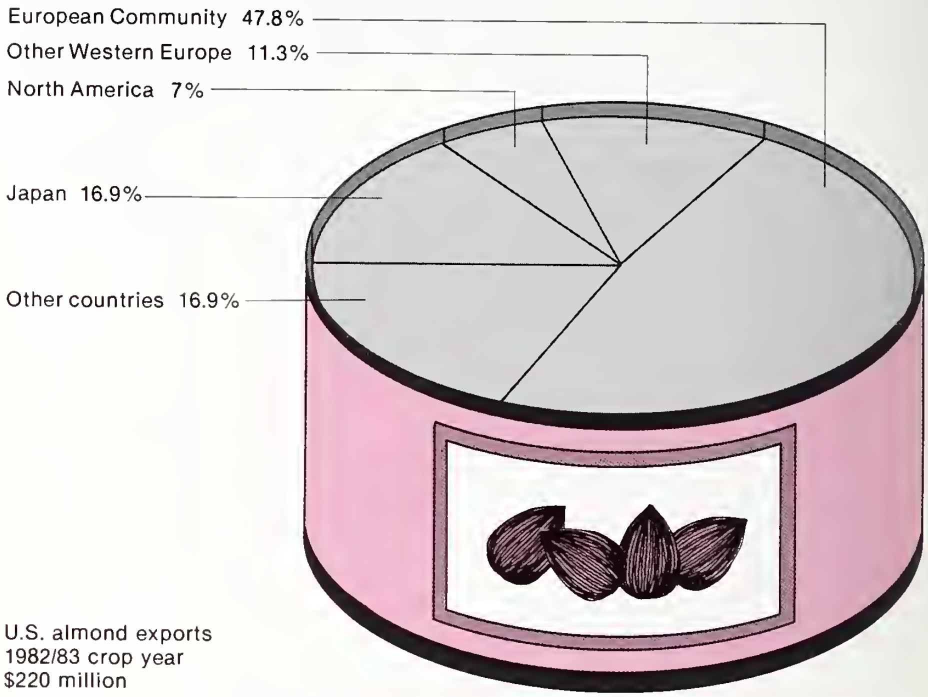
However, there have been some recent successes in this area. For example, a 10-percent Canadian import duty on roasted almonds was removed last October after nearly seven years of U.S. effort.

In addition, in 1982, for the first time, licenses were issued for the commercial import of almonds into Korea.

Negotiations are underway with Italy in an attempt to eliminate the EC's 7-percent tariff on almond imports. The United States has also been working to get India to remove discriminatory almond trade barriers, and some progress has been made. ■

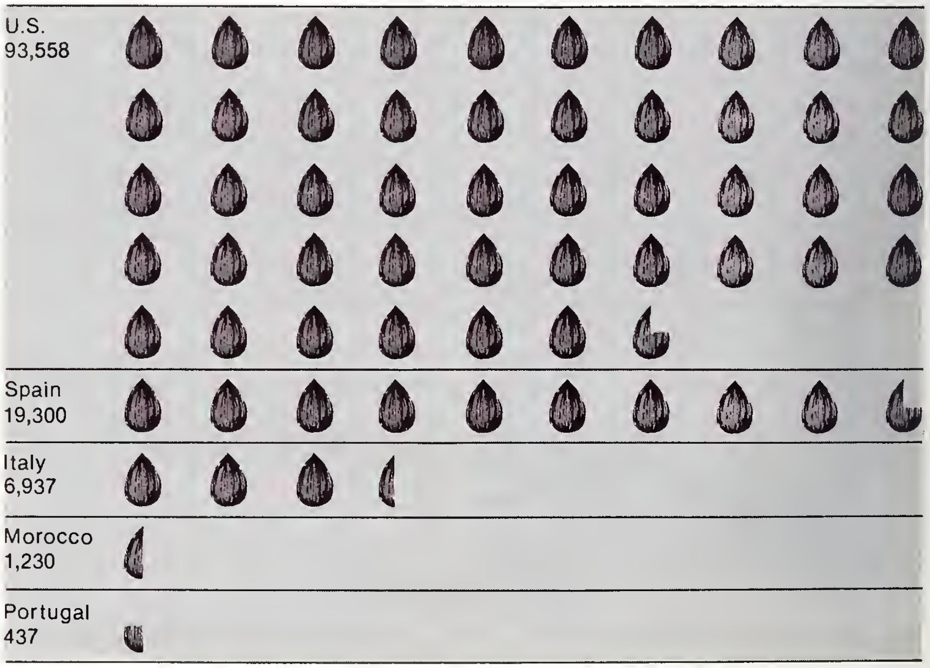
The author is with the Horticultural and Tropical Products Division, FAS. Tel. (202) 382-8896.

EC Leading Market for U.S. Almond Exports



U.S. Top Almond Exporter

(In metric tons[1] CY 1981)



[1]Shelled basis.

Trade Updates

Canada Creates New Agricultural Export Agency

Canada's Parliament has approved the creation of a new Crown Corporation designed to promote exports of food and agricultural products. The Canadian Agricultural Export Corporation, known as CANAGREX, is authorized to buy, sell, promote, process, store, import and export agricultural products; enter into contracts and joint ventures with domestic companies, cooperatives and marketing boards or with foreign governments; and acquire and hold real property for its own use. CANAGREX is specifically forbidden to deal in any products under the jurisdiction of the Canadian Wheat Board (western wheat, oats, or barley) or the Canadian Dairy Commission. It is also forbidden to pay any subsidies to producers or processors in order to enhance export sales.

It could be a year or more before specific regulations are established for CANAGREX's operations. The corporation is likely to focus its efforts on increasing exports of non-traditional, value-added products, although some changes in pricing and quota policies would be necessary because domestic prices for these products are above world prices. *—Carol Goodloe, Economic Research Service. (202) 447-8378.*

Philippines Drought To Require Larger Corn Imports

A severe drought reportedly has damaged 300,000 hectares of corn, setting back Philippine plans to gain self-sufficiency. Corn imports could reach 600,000 to 700,000 metric tons in 1983, up from 342,000 tons in 1982. The United States is generally the main supplier of corn to the Philippine market.

Persian Gulf Countries To Levy External Tariffs

The Persian Gulf nations of Saudi Arabia, Kuwait, Qatar, Oman, the United Arab Emirates and Bahrain have agreed on a common external tariff within the range of 4 to 10 percent, with an "infant industry" protective rate of 20 percent. The tariff will be phased in over five years beginning this September. In essence, this will end the duty-free entry of U.S. products into Saudi Arabia and Kuwait, which together bought $512 million worth of U.S. agricultural goods in fiscal 1982. *—Mark Sloan, FAS. (202) 382-9058.*

Spain Seeks To Move Surplus Farm Stocks Into World Markets

Spain is trying to export its growing stocks of a number of agricultural commodities, among them olive oil, soybean oil, wine alcohol, poultry meat, pork and beef. Recently, the Spanish government signed a large trade agreement with the USSR and it has already sold the Soviets 350,000 metric tons of wheat at subsidized prices. Other recent Spanish export sales include 150,000 tons of wheat flour (grain equivalent) at subsidized prices to Egypt. Also, Spain is expected to export nearly 12,000 tons of eggs to European markets. *—James Lopes, Economic Research Service. (202) 447-8289.*

West German Food Labeling Requirements Undergo Change

New food labeling ordinances will become effective in West Germany for most products on December 26, 1983. Products labeled in accordance with the previous requirements must be off retail shelves by that date. The new provisions bring the German standards into line with those required by other EC countries.

The most important changes are the requirement to label ingredients in descending order of importance and to show uncoded minimum shelf-life dates on most packaged food products. For products having a minimum shelf-life of over 18 months and produced before December 26, 1983, the transition period extends until December 31, 1986. German buyers are already requesting that products ordered for delivery in late 1983 be labeled according to new requirements. *—Carolyn Wilson, FAS Technical Office. (202)382-1318.*

Arabian Gulf Market Challenges U.S. Horticultural Exporters

Black Star

By Richard Schroeter

U.S. exporters of horticultural products are facing aggressive competition in the Arabian Gulf countries of Saudi Arabia, Kuwait, the United Arab Emirates (UAE) and Bahrain.

The region's horticultural imports from the United States increased tenfold from the mid-1970s, reaching over $120 million in 1981 and making it the fourth largest export market for U.S. horticultural products. However, this region is now experiencing an economic downturn.

Competition Keen in Saudi Market

This is reflected in U.S. horticultural exports to Saudi Arabia, by far the biggest market in the Gulf. In fiscal 1982, U.S. exports to this country dropped by $300,000 to $83.9 million after increasing by almost 30 percent the previous year. From October to June 1983, these exports dropped $8.8 million from the same period a year earlier.

Over 20 percent of U.S. horticultural exports to Saudi Arabia consist of apples, pears and table grapes. Apple shipments tumbled by one-fourth to 21,967 metric tons valued at $12 million in 1982. This decline followed five years of strong growth.

Increased purchases of Chilean fruit and heavily subsidized apples from the European Community (EC) have cut into U.S. apple sales.

Most of the subsidized European fruit came from France and to a lesser extent from Italy. U.S. apples were undersold by up to $5 per 45-pound carton with the aid of a subsidy exceeding $2 per carton.

U.S. table grape exports to Saudi Arabia more than doubled to 3,400 tons valued at close to $5 million in 1982, but this year sales are off.

U.S. grapes have found a market niche between the end of the Lebanese shipping season in September and the beginning of the Chilean season in January. In the 1982/83 season, however, shipments fell by 28 percent largely because of the lower keeping quality of the 1982 California crop.

Fresh pear exports from the United States to Saudi Arabia jumped 62 percent to 3,141 tons in 1982 and are up by an additional 23 percent in 1983. These shipments consist mainly of D'Anjou pears from Oregon and Washington.

Saudi Arabia has become the second leading overseas market for U.S. pears, topped only by Venezuela, and prospects appear bright for further growth because of the quality of the U.S. product and the lack of comparable competitive supplies.

U.S. Foods Popular in Supermarkets

The bulk of the remaining U.S. horticultural exports to Saudi Arabia are grocery items, such as frozen and canned vegetables, catsup, soups and beverages for emerging supermarkets in the region.

Although the retail food business in the Gulf is dominated by small stores, supermarkets are making significant inroads. Several large retail chains are now operating in Saudi Arabia and expansion is also in progress in the UAE. However, the Kuwaiti market is largely supplied by neighborhood cooperative stores.

The ability of the supermarket chains to import large volumes of horticultural products and a growing preference for better quality products should create more opportunities for U.S. exporters.

Processed U.S. fruits and vegetables now dominate supermarket shelves but competitors, such as Australia and France, are making strenuous efforts to improve the position and shelf space of their products. U.S. products are rarely seen in the small neighborhood stores where U.S. competitors have done a much better marketing job.

Growth of Port Capacity, Cold Storage Spurs Fresh Sales

Saudi Arabia, the Emirates and Bahrain now have modern, highly subsidized, expansive port facilities that operate on a 24-hour schedule. In addition, new ports also are being developed that improve the area's capacity for handling perishables.

Some congestion has existed in Kuwait in recent years, largely because of the large transit trade with Iraq resulting from the Iran-Iraq conflict. Kuwait, however, does have excellent cold storage facilities for handling perishables.

Spurred by government grants, the development of cold stores both at port and inland points is one of the fastest growing industries in the Gulf.

Horticultural Imports Face Thorough Inspection

The quality of imports and adherence to regulations are closely checked at the ports. In Saudi Arabia, container cargoes are opened by customs officials, often to check for prohibited items like alcoholic beverages. This work is done expeditiously, and security is not a problem.

Labeling regulations for all food products are strictly enforced throughout the Gulf to ensure that consumers are not misled. These regulations require that the product name, contents, and ingredients be on labels in Arabic.

Other information required, although not in Arabic, includes the dates of production and expiration, country of origin, net weight or volume, and the name and address of the manufacturer, packer or importer.

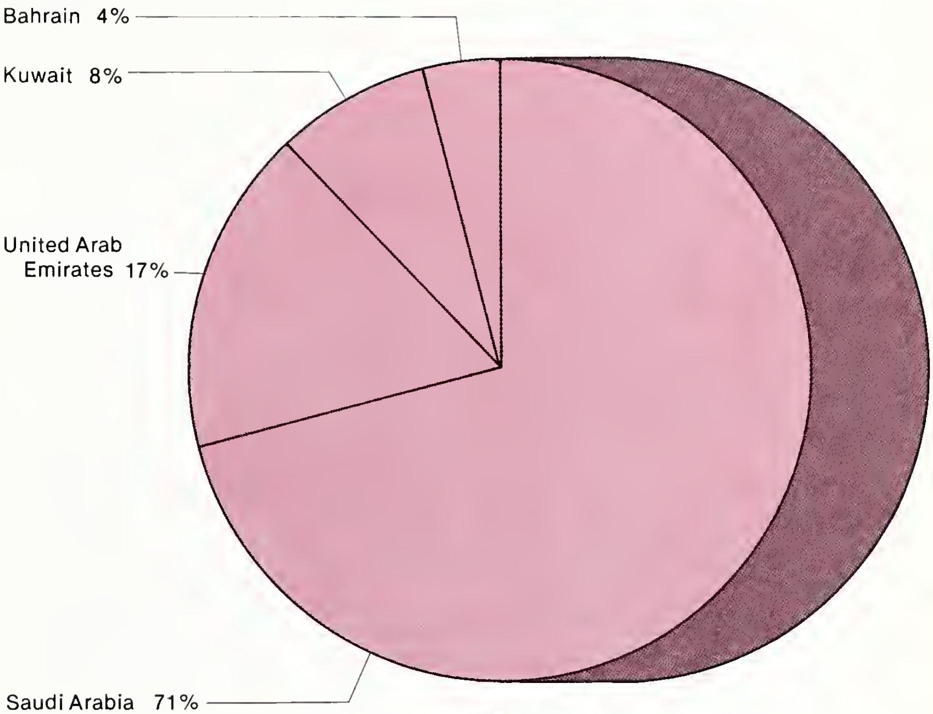
Import duties generally are not trade restrictive. Horticultural products usually enter Gulf countries duty free or at low rates. Most imports into Saudi Arabia are assessed a 3-percent duty. Some locally produced goods, including some beverages, have a protective duty of 20 percent.

Renewed Marketing Efforts Needed

Looking ahead, the expansion of supermarkets and improving diets are potentially positive factors for U.S. horticultural exports. However, increased competition requires intensified marketing efforts by U.S. producers and exporters.

The Foreign Agricultural Service (FAS) has trade offices in Jidda, Saudi Arabia, and Manama, Bahrain, to assist U.S. traders in this effort. These offices help U.S. exporters in making business contacts.

Saudi Arabia Biggest Arabian Gulf Market for U.S. Horticulture



Until recently, U.S. exporters have done little promotion to heighten consumer awareness of the quality and value of U.S. fruits and vegetables or to establish brand or origin identity.

Although some importers and distributors tend to discount the need for advertising, the more progressive trading companies and larger retail outlets recognize the value of promotion and are receptive to efforts such as in-store promotions.

The California Raisin Advisory Board, an FAS cooperator, now has a representative in Jidda to initiate and oversee new market development efforts. Sunkist and the California Table Grape Commission will join in these efforts.

Local representation can be very effective in the Gulf because of the great emphasis on personal relationships and the difficulty and expense for U.S. exporters to travel to the region.

Joint ventures and licensing arrangements may also hold promise for market expansion. These activities may be the wave of the future in view of the emphasis on industrial development in the Gulf and the generous subsidies granted for the construction of processing and manufacturing plants.

Production of non-alcoholic beverages, such as fruit drinks manufactured from U.S.-produced concentrate bases, are good candidates for such projects considering the heat and humidity of the region. ■

The author is deputy director for marketing, Horticultural and Tropical Products Division, FAS. Tel. (202) 447-7931.

EC Barriers Soften U.S. Horticultural Sales

By Edmond Missiaen

Although the European Community (EC) remains one of the major markets for U.S. horticultural products, U.S. exporters are not holding their own in this market.

Through the combination of economic recession, EC processing subsidies and trade preferences, U.S. shipments to the EC have dipped in recent years while sales to many other destinations have logged some growth. Most affected by EC trade barriers are U.S. citrus, deciduous fruit, and raisins.

U.S. exports of horticultural products to the EC, led by tree nuts, fresh fruit and dried fruit totaled $468 million in 1982, down nearly a fourth from the year earlier.

U.S. exporters face two unusual barriers to entry in the Community—the EC subsidy scheme for processed fruit and tariff preferences for citrus fruit and products from Mediterranean countries.

Subsidies Cut U.S. Sales of Several Items

The EC introduced subsidies in 1978 for several processed fruit items. Direct government subsidies are paid to processors if they buy their raw products from EC growers at or above established minimum prices.

Black Star

The subsidies are calculated to compensate processors for purchasing raw material at artificially high "remunerative" prices, and to cover any processing costs that are higher than those incurred by non-EC suppliers.

Since the subsidy is purportedly set to eliminate the price difference between the EC product and the imported product *before* assessing an import duty, the effect is equivalent to an additional import duty.

After the introduction of subsidies, EC canned peach production (excluding Greece) increased more than 90 percent and imports from non-EC suppliers fell 25 percent.

During the six years immediately preceding the subsidy scheme, U.S. exporters of canned peaches sold an average of 15,000 tons per year to the EC, but over the next four years shipments averaged only 8,700 tons. By 1982, they plummeted to 4,300 tons. While less dramatic, U.S. exports of fruit cocktail to the EC also followed a declining trend.

The EC subsidy scheme for raisins has been in effect since September 1981. The scheme, which benefits the Greek industry, consists of high minimum prices for growers, a subsidy to processors, weekly storage subsidies and, most recently, a minimum import price.

The first season under the new scheme saw a steep decline in wholesale raisin prices as the EC Commission paid out extraordinary high subsidies to move the Greek crop. Turkish suppliers—heavily dependent on the EC market—lowered their prices in order to remain competitive.

Prices remained at very low levels the next season. U.S. exports of raisins to the EC tumbled almost one-third from the 1973-80 average to 9,300 tons in 1982. In contrast, U.S. raisin exports to all other destinations rose to 42,200 tons, up 26 percent from the year earlier.

The United States has strongly opposed the subsidy system for processed fruit since its inception.

In October 1981, the U.S. trade filed a petition against the EC subsidies under Section 301 of the Trade Act of 1974. The United States held consultations with the EC under GATT in February and April of last year without satisfactory results. A GATT panel was formed to try to resolve the issue, but a final determination has not yet been made.

Preferential Tariffs Also Hamper Citrus Exports

The EC began in 1969 and 1970 to grant preferential tariff rates to citrus and citrus product imports from Mediterranean countries.

EC importers must pay a tariff of 20 percent ad valorem on U.S. winter oranges, while imports from major U.S. competitors—Spain, Israel and Morocco—are assessed rates ranging from 4 to 12 percent ad valorem.

Since the preferential tariff rates were imposed, U.S. exports of oranges to all destinations have gained about 50 percent, but U.S. sales to EC countries on average have declined more than 30 percent.

U.S. lemon exports to other destinations about doubled during the past 15 years, but EC markets did not share in this growth. In fact, U.S. shipments of lemons to the EC dropped by about one-third.

The U.S. citrus industry has been seeking redress for the trade damage caused by the EC citrus preferences since 1970. ■

The author is deputy director for Analysis, Horticultural and Tropical Products Division, FAS. Tel. (202) 382-8895.

Japan's Trade Barriers Pose Problems for U.S. Citrus Exporters

By David R. Tallent

Despite some easing in Japan's restrictive trade measures over the years, Japanese trade barriers that remain intact pose major problems for U.S. citrus exporters. Japan's import policies are designed to protect domestic citrus producers.

Japan's fresh orange and citrus juice trade still is structured around a system of quotas, high tariffs and juice blending requirements which severely limit imports.

Lemons and grapefruits provide an excellent example of how U.S. exports respond to the dismantling of Japanese trade barriers. Japan developed into the top U.S. export market for both lemons and grapefruits after trade in these items was liberalized in 1964 and 1971.

Quotas set for the current Japanese fiscal year (April 1983-March 1984) limit fresh orange imports to 82,000 tons and imports of orange juice and grapefruit juice (both on a 5 to 1 concentrate basis) to 6,500 and 6,000 tons, respectively.

Japan's current quota for fresh oranges is divided into a seasonal quota and a general quota. Imports under the seasonal quota (45,500 tons) are restricted to June-August entry while imports under the general quota (36,500 tons) can enter throughout the year.

The three-month seasonal quota period corresponds to Japan's off-season when domestic supplies are lowest and imports represent only the barest threat to the local industry.

Currently, imports account for only 3 percent of Japan's consumption of fresh oranges and tangerines.

Japanese imports are also discouraged by high tariffs. Japan's duty treatment on oranges imported during 1982 ranged from $183 per metric tons for fruit which entered June-November to $366 per ton for oranges imported during the remainder of the year. This compares with the U.S. tariff of 1 cent per pound or $22 per ton.

Quotas Also Restrict Flow Of Citrus Juices

Japan also employs quotas to restrict imports of both orange and grapefruit juice, even though Japan does not produce grapefruit or grapefruit juice, and imports of fresh grapefruit into Japan are not faced with volume restrictions.

In addition to the quota system, U.S. exporters of orange juice are hampered by a blending requirement. Under Japanese law, imported orange juice must be blended with domestic mandarin orange juice. Imported juice cannot exceed 60 percent of the blended product.

Benefits of More Liberal Trade

Freer trade in citrus will benefit both U.S. growers and Japanese consumers. Japan's import quotas now deny U.S. producers the benefits of comparative advantage.

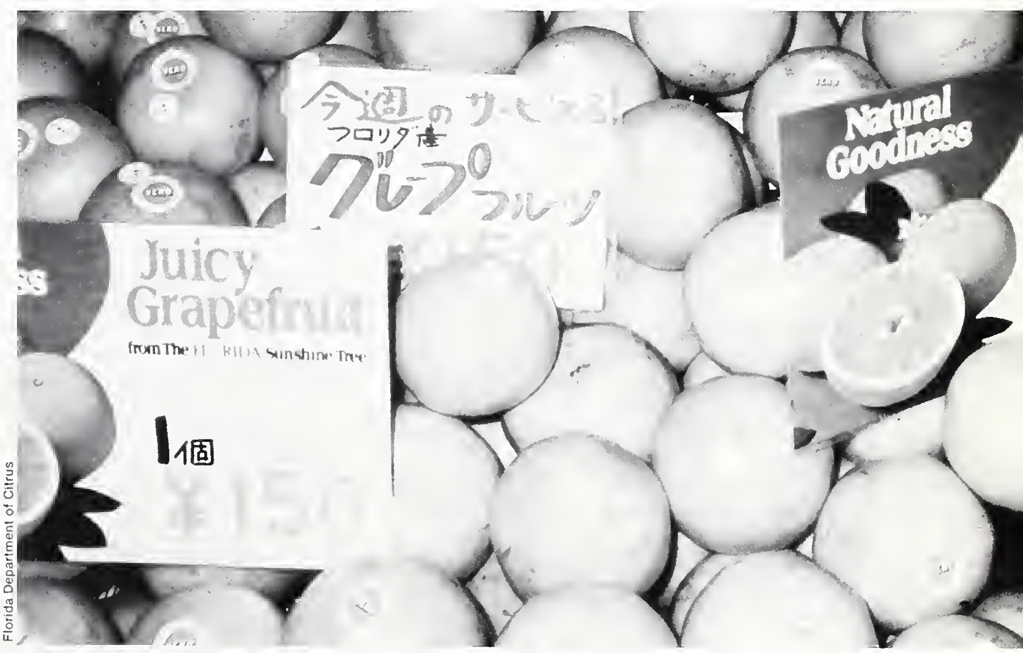
Japanese consumers would enjoy an enhanced year-round availability of citrus fruit, conceivably at lower prices. Elimination of trade restrictions also would place Japan in greater compliance with its obligations under the General Agreement on Tariffs and Trade (GATT).

There is a growing awareness among consumers of the advantages offered by a free citrus trade. This was apparent in the results of a nation-wide opinion poll published in leading Japanese newspapers in April.

Approximately 60 percent of those surveyed indicated that they favored an immediate or staged liberalization of the citrus trade. Most respondents showed a sensitivity to high food costs or expressed the belief that opening Japan's trade doors to competition would lead in the long run to a healthier Japanese agriculture.

Another group that would gain from liberalization is the many Japanese importers who would like to participate in the citrus trade but are currently "locked out" because of an inability to obtain import licenses. A larger number of importers could improve the distribution and marketing of oranges in Japan. ■

The author is with the Horticultural and Tropical Products Division, FAS. Tel. (202) 382-8897.



Florida Department of Citrus

Country Briefs

Australia

Market Prospects Cooling for U.S. Oilseeds

As Australia is now becoming self-sufficient in most temperate zone oilseeds and protein meals, there is little opportunity for U.S. exporters to successfully engage in long-term market development activities. Australian consumption of oils is already fairly high, and the current shortfall is mainly made up by imports of soybean oil from the United States. This situation is likely to continue for a few more years, but ultimately Australia will be a net exporter of oilseeds or oils and meals.

Crushing capacity approximates 600,000 metric tons a year, spread among six plants located in various states. With an excess capacity of about 150,000 tons, there is plenty of room for the industry to grow before additional crushing capacity becomes necessary. There was some talk recently about establishing another crushing plant at Gladstone in Queensland, but since the Queensland government withdrew its support, such a venture is now unlikely. —*Dale B. Douglas, Agricultural Counselor, Canberra.*

Brazil

Moves To Prod Exports

Brazil's Council of Foreign Trade has approved measures to stimulate agricultural exports, including re-introduction of the drawback policy, which was suspended last year. Under the drawback, soybeans can be imported for crushing as long as the meal and oil are exported. This would mean more imports of soybeans and increased exports of soybean meal and oil. Additionally, Brazilian firms will be able to import the equivalent of 50 percent more than their 1983 import ceilings from socialist countries, a measure designed to reduce Poland's debt to Brazil. —*Gerald W. Harvey, FAS. (202) 447-8809.*

China

New Cigarette Venture Underway

R.J. Reynolds and two Chinese firms—one a cigarette factory and the other a construction firm—have signed a joint venture agreement to manufacture a new cigarette brand in China's Fujian Providence. The cigarettes will be a blend of American and Chinese leaf. The venture is expected to produce 150,000 cases (10,000 cigarettes per case) annually. Plans call for one-third of the output to be exported; a third to be sold for hard currency at tourist attractions in China; and remainder to be sold domestically.

The new venture indicates the continued interest of the Chinese is importing foreign cigarette manufacturing technology and equpment to upgrade China's production. —*Robert Bagley, Agricultural Attache, Hong Kong.*

Hong Kong

Opportunities Good For U.S. Chicken

U.S. exporters of frozen chicken and poultry wings to Hong Kong are in an excellent position to increase sales as a result of local production problems. The detection of possible cancer-causing residues from growth-promoting hormones has caused some loss of consumer confidence in locally produced and Chinese chickens. In addition, chicken producers who abandon the troublesome growth hormones may be interested in importing some new fast-growing breeds, which could benefit U.S. suppliers of parent and grandparent chicken stocks.—*Robert Bagley, Agricultural Attache, Hong Kong.*

Indonesia

New Competitors Vie in Wheat Market

Indonesia reportedly has purchased 50,000 metric tons of Argentine wheat, the first Argentine wheat to enter the market. This transaction follows record imports of French—120,000 tons—and Canadian wheat—180,000 tons—which are apparently filling the gap left by Australia's absence. Imports of U.S. wheat through May were running only slightly ahead of last year. Indonesia's wheat imports in 1983 are projected at 1.55 million tons, up nearly 5 percent from last year.—*Dean Richards, FAS. (202) 475-4199.*

Japan

Barley Imports Slated To Rise

As the world's third largest barley market after the USSR and Saudi Arabia, Japan is expected to import 1.4 to 1.5 metric million tons of barley during 1983/84 (July-June), compared with about 1.1 million in 1982/83. Canada likely will account for at least 900,000 tons under a supply assurance agreement, and Australia around 100,000 tons. The remainder could come from the United States if prices are competitive. Eventual sales will depend on determined marketing, however, since there are likely to be ample supplies elsewhere in the world to accommodate this added demand. *Dean Richards, FAS. (202) 475-4199.*

Peru

Fats and Oils Imports To Rise

Because of poor prospects for its fish and cottonseed oil production this year, Peru has upped its soybean oil import program from 69,000 metric tons in 1982 to a forecast 130,000 tons. Some of the forecast imports may be fish oil if the government permits duty-free imports.

In addition, due to the shortage of domestic fish oil, the soap industry may need to import some 14,000 tons of tallow in 1983. If weather conditions do not improve, heavy imports of vegetable oils and tallow will be needed in 1984. —*Norval Francis, Agricultural Attache, Lima.*

South Africa

Dry Bean Imports Seem Likely

Widespread drought may prompt South Africa to import significant quantities of dry beans. Normally the country is self-sufficient in dry bean production. Although planted area this year is only 6 percent below last year's 64,000 hectares, South Africa's dry bean crop is currently estimated at roughly 27,000 metric tons, down nearly two-thirds from 1982. Total bean imports could reach 40,000 tons once import permits are granted by the Dry Bean Board. South Africa is reportedly seeking small whites, limas, great northerns, pintos and cranberry beans. —*Dean Richards, FAS. (202) 475-4199.*

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